

Message Text

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SUBJECT: ADDITION OF PORTUGAL AS GSP BENEFICIARY

REF: OSLO 4441

1. THE CRITERIA FOR THE DESIGNATION OF A BENEFICIARY
DEVELOPING COUNTRY UNDER THE US TRADE ACT OF 1974 ARE
CONTAINED IN SECTION 502(C) OF THE ACT. THEY ARE: A
REQUEST BY A COUNTRY, THE LEVEL OF ECONOMIC DEVELOPMENT OF
THE REQUESTING COUNTRY, WHETHER OTHER COUNTRIES ARE
GRANTING THE APPLICANT GSP; AND THE EXTENT TO WHICH THE
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COUNTRY HAS ASSURED THE US OF EQUITABLE AND REASONABLE

ACCESS TO ITS MARKETS AND BASIC COMMODITY RESOURCES. SECTION 502(B) SPECIFICALLY EXCLUDES A LIST OF COUNTRIES USUALLY CONSIDERED DEVELOPED. PORTUGAL DOES NOT APPEAR ON THIS LIST. IT WAS THE ADMINISTRATION'S VIEW THAT COUNTRIES NOT SPECIFICALLY EXCLUDED BY SECTION 502(B) OF THE ACT SHOULD BE CONSIDERED FOR GSP STATUS IF THEY WISHED. ALTHOUGH THE RELATIVELY MORE ADVANCED STATE OF DEVELOPMENT OF SOME COUNTRIES NOT NAMED IN SECTION 502(B) OF THE LAW, INCLUDING SOME OF THE MEDITERRANEAN COUNTRIES, HONG KONG, ETC, RAISED QUESTIONS FOR SOME ABOUT THE NEED FOR GSP THE SELF-ELECTION PRINCIPLE IN THE INTERNATIONAL AGREEMENT ON GSP MADE IT DIFFICULT TO BE ARBITRARY

VIS-A-VIS STATE OF DEVELOPMENT. FURTHERMORE, THE US GSP SCHEME CONTAINS THE COMPETITIVE NEED FORMULA WHEREBY MORE DEVELOPED COUNTRIES ARE AUTOMATICALLY EXCLUDED FROM GSP TREATMENT IN ITEMS WHERE THEIR EXPORT RECORD SHOWS THEY ARE COMPETITIVE IN THE US MARKET ((SECTION 504(C)). THUS ALL COUNTRIES NOT NAMED BY THE CONGRESS AS DEVELOPED WERE CONSIDERED FOR ELIGIBILITY IN LIGHT OF OTHER PROVISIONS OF SECTION 502(B).

2. SECTION 502(B)(3) PROHIBITS THE PRESIDENT FROM DESIGNATING ANY COUNTRY WHICH "AFFORDS PREFERENTIAL TREATMENT TO THE PRODUCTS OF A DEVELOPED COUNTRY, OTHER THAN THE UNITED STATES, WHICH HAS OR IS LIKELY TO HAVE, A SIGNIFICANT ADVERSE EFFECT ON UNITED STATES COMMERCE." PORTUGAL, GREECE, SPAIN, TURKEY, ISRAEL AND CYPRUS WERE AMONG THE COUNTRIES WHICH GRANTED PREFERENCES TO DEVELOPED COUNTRIES (EC). ALL OF THESE COUNTRIES INDICATED INTEREST IN US GSP BENEFICIARY STATUS. THE USG CAREFULLY EXAMINED ALL SIX OF THE COUNTRIES' PREFERENTIAL ARRANGEMENTS WITH THE EC IN LIGHT OF SECTION 502(B)(3). IT WAS FOUND THAT THE PRESENT PREFERENTIAL SYSTEMS OF TURKEY AND CYPRUS DO NOT HAVE, AND ARE NOT LIKELY TO HAVE, SIGNIFICANT ADVERSE EFFECT ON US COMMERCE. IN 1975 THE US INFORMED THE GOVERNMENTS OF ISRAEL, SPAIN, PORTUGAL AND GREECE THAT THEIR REVERSE PREFERENCES WITH THE EC DID HAVE, AND WERE LIKELY TO HAVE SIGNIFICANT ADVERSE EFFECT ON US COMMERCE AND OFFERED TO CONSULT ON THE MATTER. CONSULTATIONS WITH LIMITED OFFICIAL USE

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ISRAEL IN 1975 RESULTED IN A SOLUTION WHEREBY THE GOI TOOK ACTIONS WHICH ELIMINATED THE ADVERSE EFFECT ON US COMMERCE OF PREFERENCES TO THE EC CURRENTLY IN EFFECT. ISREAL, TURKEY AND CYPRUS WERE GRANTED GSP STATUS ON JAN. 1 1976.

3. CONSULTATIONS WITH PORTUGAL WERE COMPLETED IN LATE MARCH, 1976, AFTER WHICH PORTUGAL TOOK ACTION TO ELIMINATE

THE ADVERSE EFFECT OF ITS PREFERENCES. THE US HAS NOW GRANTED PORTUGAL GSP. THE US STANDS READY TO REACH SIMILAR SOLUTIONS WITH GREECE AND SPAIN SHOULD THEY WISH TO PURSUE THEM. FYI THE US HELD TWO INCONCLUSIVE SERIES OF CONSULTATIONS WITH SPAIN ON REVERSE PREFERENCES GRANTED BY THAT COUNTRY TO THE EC AND OFFERED TO HOLD CONSULTATIONS WITH GREECE. BOTH COUNTRIES, HOWEVER, HAVE PREFERENTIAL ARRANGEMENTS WHICH PRECLUDE THEIR ABILITY TO TAKE ACTIONS WHICH PORTUGAL AND GREECE DID, I.E., LOWER MFN RATES WITHOUT LOWERING RATES TO THE EC AS WELL. FURTHERMORE BOTH ARE ACTIVELY PURSUING FULL MEMBERSHIP IN THE EC AND MAY PREFER TO FOREGO US GSP IN FAVOR OF THE GREATER BENEFITS THEY SEE IN EVENTUAL EC MEMBERSHIP. END FYI

4. THE EMBASSY MAY ORALLY CONVEY THE ABOVE INFORMATION ABOUT OUR GRANTING PORTUGAL GSP STATUS TO THE NORWEGIAN GOVERNMENT AND EXPRESS US SUPPORT IN PRINCIPLE FOR NORWAY'S GRANTING GSP TO PORTUGAL AND ANY OF THE OTHER MEDITERRANEAN COUNTRIES IT MAY WISH IN LIGHT OF ITS OWN LAW AND POLICIES. ROBINSON

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